

Manager Recommendation Memo

December 8, 2022

Board of Trustees
Commonwealth of Pennsylvania, Public School Employees' Retirement System ("PSERS")
5 North Fifth Street
Harrisburg, PA 17101

Re: Sixth Street Lending Partners

Dear Trustees:

Aksia LLC ("Aksia"), having been duly authorized by the Board of PSERS, has evaluated and hereby recommends, in line with PSERS' Investment Policy Statement, Objectives, and Guidelines, a commitment of up to \$250 million to Sixth Street Lending Partners ("SSLP").

Sixth Street Partners, LLC ("Sixth Street" or the "Firm") was established as a separate subsidiary of TPG Capital ("TPG") in 2009 by Alan Waxman and other former senior professionals from Goldman Sachs' Special Situations Group. Sixth Street officially separated from TPG on May 1, 2020; TPG retains a passive minority stake in Sixth Street. Today, the Firm has over \$60 billion in assets under management across investment strategies.

Sixth Street is launching its second institutional private-to-public BDC, SSLP. SSLP intends to focus on borrowers with \$100 million or more of EBITDA and aims to employ a similar thematic approach as its first BDC, seeking to create more advantaged deal dynamics where the team can leverage their industry expertise. SSLP intends to focus on structuring first dollar risk to performing businesses or assets, with an emphasis on sound financial profiles and/or separable, saleable assets.

Aksia considers Sixth Street to be an established platform with an experienced team, and SSLP investors should benefit from Sixth Street's global origination efforts, relationships and senior investment and operating professionals. The performance of the prior BDC has been favorable and has traded at a premium to its peers on average since its IPO in 2014 (through August 2022). Aksia believes that the secular trend of private credit taking market share from the broadly syndicated market is likely to continue as upper middle market borrowers are turning to direct lenders to anchor larger debt financings in the midst of the challenging market conditions (e.g., hung syndications).

Aksia's recommendation is based upon the following analytical factors and is made within the context of PSERS' investment guidelines:

- Due diligence of SSLP's investment process, including a review of the sponsor, investment strategy, market positioning, investment personnel, and risk management;
 - Most recent on-site investment due diligence visit conducted October 17th & 18th 2022
- Due diligence of SSLP's operations, including a review of its organizational structure, service providers, regulatory and compliance, LPA and financial statement analysis;
 - Most recent on-site operational due diligence visit conducted September 28th 2022
- Evaluation of SSLP's strategy within the context of the current investment environment; and
- Appropriateness of SSLP's strategy as a component of PSERS' portfolio.

This recommendation is given solely for the benefit of PSERS and cannot be relied upon by other investors considering an investment in SSLP, since their needs, objectives, and circumstances may not be identical to those of PSERS. Aksia manager recommendation memos should be reviewed with other Aksia due diligence materials, including the due diligence reports. This recommendation is made in the context of the attached Due Diligence Reports for SSLP. In addition, please consult your tax, legal and/or regulatory advisors before allocating to any private investment fund.

Please feel free to contact us should you have any questions about this recommendation.

Respectfully,



Tim Nest
Partner, Head of Private Credit



Simon Fludgate
Partner, Head of Operational Due Diligence